Discussion paper

This discussion paper seeks to highlight key aspects of the three different options (project based REDD+, subnational REDD+ and national REDD+) including considerations on funding.

The paper is not trying to cover all aspects as this will get very technical but aims to provide an overview of key aspects likely to be relevant for decision making. The paper has a short plus and minus section for each option and a section with the heading unknown to make clear that we cannot foresee all future funding possibilities.

The paper furthermore includes a decision tree to provide an overview of decisions needed and a final section on why these questions are important focusing on the differences with projects and UNFCCC REDD+.

Plus and minus with the different options.

- Projects –

Plus: Projects are familiar to everybody – “comfort zone” for government and non-governmental stakeholders. Easy to conceptualize and compartmentalize – limited need to involve multiple stakeholders. Discreet and direct funding arrangements.

Minus: Relative high transaction costs partly due to size but also due to complicated rules caused by requirements linked to project implementation such as leakage, buffers, additionalityetc; funding through sale of CO_2 credits is only from the voluntary carbon market. Forecasts estimate significant increased supply of credits in the future while demands are unknown, this could make it difficult to sell credits, which questions the economic viability of REDD+ projects. Projects do not address the underlying causes of deforestation and forest degradation and will not be able to provide the funding necessary for effective management of forests e.g. as a funding source for the National Forest Programme and similar programmes implemented by GDANCP and FiA.

In case Cambodia later decides to move to subnational or national scale UNFCCC REDD+ existing REDD+ projects with reference levels developed under the VCS or another voluntary carbon market scheme will most likely have to be redone. Maintain existing projects within subnational or national accounting means having additional transactions costs with double monitoring, reporting and verification. This means a decision on how to deal with existing REDD+ projects will have to be taken.

Donors who have helped fund REDD+ projects are more likely to move to implementation compatible with rules agreed under the United Nations Framework Convention on Climate Change (UNFCCC)

Unknown: The UNFCCC rules for REDD+ do not open for project based REDD+. Future decisions on carbon markets could allow project based REDD+. Some countries will support this in order to provide additional flexibility other countries will oppose such a decision as they don't see project based REDD+ contributing to global climate mitigation.

- Subnational –

Subnational as an interim measure is allowed under the UNFCCC REDD+ rules. While interim and subnational have not been defined, subnational should cover at least a province or a forest landscape which could include several provinces. According to the rules, subnational REDD+ require national forest monitoring in order to detect displacements[1]. Together with the subnational implementation the country should have a plan for moving to national implementation.

Plus: Allows for accounting and assessing results on an area less than the national territory. This can simplify the implementation e.g. in terms of benefit sharing. Following UNFCCC rules, historic emissions can be used to establish the reference level and there are no additional requirements to address additionality such as with projects.

Donors and the Green Climate Fund are eager to support countries moving forward following the comprehensive set of rules agreed by the UNFCCC. This includes subnational implementation and the more comprehensive in terms of forest area, the more attractive will it be for donors.

Minus: Since monitoring on the national level is a requirement, the only difference between national and subnational is the accounting and the benefit sharing of the possible results. The reference level will only cover the subnational area and results from outside the subnational area will not be accounted for, meaning possible CO_2 credits from reductions in deforestation outside the subnational area cannot be issued but displacements will still have to be taken into account. This maintains the potential negative side without benefitting from the possible positive side.

Unknown: While subnational REDD+ is described as an interim option it's still not clear whether credits generated under subnational REDD+ can be used in a global compliance carbon market or, are subnational REDD+ going to be seen as demonstration activities for donor support only?

- National –

UNFCCC REDD+ was from the beginning described as a national contribution to the global climate change mitigation with national accounting of emissions and removals compared to a national reference level and transfer of incentives from the international system to the participating countries able to produce and report positive results.

Plus: A national monitoring system will make sure all results achieved by the country contribute and there is no need to have accounting systems to deal with national displacements. Following UNFCCC

[1] Under the Clean Development Mechanism and the voluntary carbon market the shift of emissions caused by a project activity are called leakage, this will typically have to deducted from the project results. Under UNFCCC REDD+ the same process is called displacement in order to distinguish UNFCCC REDD+ from a project based approach

rules historic emissions can be used to establish the reference level and there are no additional requirements to address additionality such as with projects.

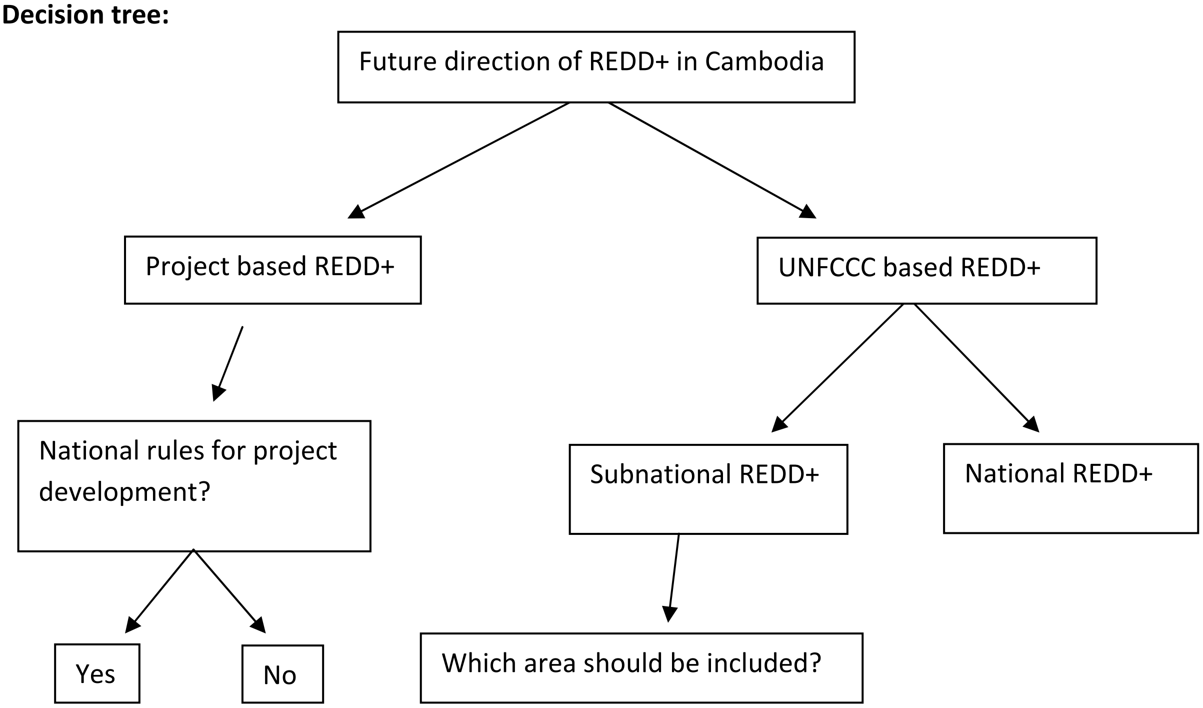
Finance on national scale REDD+ can contribute to national policies required to achieve the results e.g. implementation of national programmes such as the National Forest Programme.

Donors and the Green Climate Fund are very eager to support countries moving forward following the comprehensive set of rules agreed by the UNFCCC. So far very few countries have moved in this direction while REDD+ projects are happening in many countries partly because this has been the only option and because this is seem easier as described under projects.

Minus: Results and benefits are linked and with national implementation there will be a need to involve many more stakeholders which will make implementation more complicated.

Unknown: Negotiations on a post-2020 climate agreement is still taking place and the inclusion of REDD+ is unknown but supported by most countries. The question seems more to be on how REDD+ will be funded – by a fund or through a carbon market or a combination of the two. Most likely, there will be funding from donors to countries for results based REDD+ before 2020.

Decision tree:



Why are these questions important?

Methodologies and rules for project based REDD+ and UNFCCC REDD+ are different and capacity building need to reflect this otherwise we are just creating confusion among the stakeholders.

Postponing a decision and developing additional REDD+ projects will create additional complications if Cambodia later decides to prepare for UNFCCC participation.

One key issue is the reference level. The reference level is what future emissions are compared against and essential for REDD+[2].

With different methodologies for setting reference levels it does not make much sense to compare a project based reference level with a national reference level. A simple integration of projects into national or subnational accounting is difficult. Sharing a UNFCCC reference level between different projects and national implementation is possible but it does not increase the total reference level.

For both project based and UNFCCC REDD+, double counting will not be allowed meaning the same emission reductions cannot be sold/rewarded twice. This raises the question regarding whether to maintain separate project monitoring, reporting and verification with associated transaction costs if credits only are supported through the UNFCCC.

---

2 Example
If the reference level is 1000 tons CO_2 and the emissions in the accounting period are 800 tons CO_2 per year then the result is 200 tons CO_2 per year (1000-800=200 tons CO_2).
If the reference level instead is 1200 tons CO_2 and the emissions in the accounting period are still 800 tons CO_2 per year then the result is 400 tons CO_2 per year (1200-800=400 tons CO_2).
A higher reference makes it “easier” to produce a good result but the reference level have at the same time to be realistic to make the emission reductions credible and eligible for international support.
For the projects under the Voluntary Carbon Standards this is approved by the VCS while for the UNFCCC REDD+ this is approved by the UNFCCC.